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The Director of Central Intelligence

Washington, D.C. 20505

NIC #03232-84

National Intelligence Council

4 JUN 1984

MEMORANDUM FOR: Director of Central Intelligence  
Deputy Director of Central Intelligence

SUBJECT: East Asia Warning and Forecast Meeting

Representatives of the Intelligence Community met on 23 May 1984 to  
consider the attached subjects.



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National Intelligence Officer  
for East Asia

Attachment:  
Warning and Forecast Report

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23 May 1984 East Asia Warning and Forecast Meeting

US-Chinese Relations Following the President's Trip

President Reagan's trip to China helped improve and stabilize the US-Chinese relationship. The Chinese went out of their way to insure the success of the trip, avoiding potentially disruptive subjects such as Taiwan, hoping to further open the door for US assistance for China's modernization.

In addition to publicizing the President's trip widely, the Chinese also gave public recognition to meetings held by Secretary of State Shultz and Assistant Secretary of Defense Armitage, something which has not taken place during previous high-level trips to China.

Despite the generally positive nature of the trip, the Chinese expressed dissatisfaction over textile quotas and attempted to link the maritime and grain agreements. US efforts to dissuade them from this linkage met with little success. The Chinese also complained about the delays in getting export cases approved because the US sends so many through COCOM, and they raised the issue of US support for their membership in the Asian Development Bank.

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Forecast

We expect US-China relations to remain good for at least the next six months. The Chinese, having found that they can work with this Administration, will be reluctant to cause problems for President Reagan prior to the election. They appear willing to let the Taiwan issue lie dormant so long as US campaign rhetoric here does not force them to reassert their views on the inevitability of reintegration of Taiwan or their dissatisfaction with the Taiwan Relations Act. We doubt that the Arkhipov visit will be rescheduled prior to October, and then the onus for rescheduling will be on the Soviets; the Chinese can be expected to be particularly fussy concerning details of the proposed visit, at times giving the appearance of stalling.

The Philippine Elections

The strong showing of the opposition parties in the Philippine election throws a new light on the political process there. Not only did the healthy showing shatter Marcos' claim of invincibility, but it slowed the momentum of

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the extreme left, which had opposed participation in the elections and now will have to sit on the sidelines. The unexpectedly strong showing by the opposition and effective poll watching by NAMFREL surprised everyone, particularly Marcos. Marcos' acceptance of this new political milieu is best gauged by two events: (1) his withdrawal of the idea of packing the Assembly by appointing extra legislators, and (2) his restraint from allowing excessive vote fraud to deprive the opposition of seats legitimately won. Nevertheless, the road ahead will be very bumpy. The opposition remains fragmented and without a clear program or the backing of the business community. This will lead to confused signals and jockeying for position rather than action when the Assembly convenes on 23 July.

NPA activity during the election campaign, while reaching its highest level (100 people killed on election day), failed to disrupt the election process. The inability of the NPA to disrupt the elections or of the KBL to dominate them is a strong indication that the Philippine people hope for other alternatives.

With the election out of the way, the Philippines' most serious immediate problem, its financial status, will once again emerge as a front burner issue. The austerity measures which must be put in place to satisfy the IMF and reverse the current downward slide will be difficult for Marcos to steer through the Assembly when it convenes in July.

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#### Forecast

It is unlikely that the economy can be brought under control before the end of calendar 1984. When the legislature convenes, the first order of business by the opposition will be to attempt to limit Marcos's ability to rule by fiat. This is likely to be unsuccessful, given the KBL's clear majority in the legislature. It will, however, consume a good deal of time and delay action on the necessary austerity measures which need immediate action. The opposition's unwillingness, and indeed inability, to address the economic issues reflect in part their isolation from the business community, which, in large part, still supports Marcos. Thus, when the legislature convenes, Marcos will be fighting on two fronts simultaneously: (1) the political challenge of the opposition, and (2) the economic challenge facing the country. It is for these reasons we doubt that the economic reforms required by the IMF will be achieved before the end of the year, and during the interim that political conditions will at best be confused.

#### US-Korean Security Consultative Meeting

The NIO provided a brief review of the recently completed Security Consultative Meeting held in Seoul. The SCM, though largely pro-forma, was successful, and US-Korean relations benefited.

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